

NSC BRIEFING

16 April 1957

YUGOSLAVIA'S ORIENTATION

- I. The gulf between Belgrade and Moscow is continuing to widen.
 - A. In recent weeks, propaganda charges by each side in the dispute have grown sharper, but the dirty name-calling of the Stalin era ("fascist dogs," etc.) has not yet returned.
 1. Bulganin (27 March) flatly accused Tito of outright aid to the "imperialist-inspired" Hungarian "counter-revolution", stating that "it was not by accident" that "the group of traitors of Imre Nagy" found "asylum at the Yugoslav embassy" when the "counter-revolution" was crushed. Yugoslavs, in rebuttal, have consistently blamed the inevitable "revolution" of the Hungarian masses on incorrect Soviet policies. Latest example: Borba 5 Apr. painstaking review of Soviet masterminding in Hungary.
 - B. Pressure on Tito from all countries of the Soviet Bloc is not yet consistent.
 1. Communist China still appears hopeful of moderating the dispute: Chou En-lai is reported planning a visit to Belgrade this June.
- II. Besides propaganda, concrete Sov pressures on Tito include postponement at end of Feb of previously-agreed economic arrangements: Yugos, since early Mar, have told us that the Sovs are trying to make Yugo economy "collapse".

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- A. Moscow's ostensible reason for 2 Mar "postponement" of a \$175 million Soviet-East German credit (to help develop Yugoslav aluminum)--shifts in Sov internal investment program made it necessary.
- B. Khrushchev, on 14 March, gave public blessing to freeze:
"The Soviet people are ready to share their last crumb of bread with other Socialist countries, but we are going to share it with those who treat us fraternally."
- C. The previously-agreed sale of a Soviet nuclear reactor to the Yugoslavs is also stalled.
- D. Although regular Yugoslav trade with Bloc countries continues at about the '56 level (some 25% of the total), the Yugoslavs on 8 Apr reiterated pessimism over its continuation.
- E. Yugoslavs also claiming injury from Soviet pressures abroad--example: Yugo Vice Pres. Tempo on 7 Apr said Moscow is using every possible method to undercut Yugoslav political, economic position in Middle East.
- F. Yugoslav officials now appear quite pessimistic about any possible moderation of the hostile Soviet attitude.
 - 1. Foreign Office spokesman told us 3 Apr: "it will be most difficult to live with the Russians" until a new generation, less "captivated by orthodox ideology", takes power in USSR.
 - 2. This is far cry from Yugoslav line in '56 that de-Stalinization was moving rapidly and was irreversible.

III. Both to avoid isolation and to ensure economic assistance, Yugoslavia is reacting to the Bloc's cold shoulder by becoming more moderate towards the West.

- A. In past two months' propaganda, Yugoslav attacks on Western policy have been less frequent and less strong and have shown more scepticism about many Soviet foreign and internal policies.
- B. On international issues, has been perceptible shift in Yugoslav position.
 - 1. On German question, for example, Belgrade's latest (Mar '57) view no longer emphasized necessity for East-West German negotiations.
- C. Yugoslav V.P. Tempo on 4 Mar declared country must orient itself economically towards the West, and that US aid is the key factor in Yugoslavia's long-term economic development.
 - 1. Admitted he no longer trusted Soviet aid offers.
 - 2. Asked a long-term commitment of surplus US agricultural goods on a grant basis.
 - 3. Said Yugos looking to Western European nations for financing of aluminum, copper and power projects.
- D. By end of Mar, Yugos had gone so far in reorientation as to tell French they interested in possible association with European Common Market.
- E. Yugoslavs also hard at work developing closer bonds with neutrals (Tempo made April visit Egypt, Syria).
 - 1. Also reviving approaches to Western Socialists (March)-- visit to Belgians; April--hosts to Nenni delegation; visit to Norwegians scheduled),